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United States Ups Foreign Fishing Quotas

The third installment of foreign fishing quotas announced by the State Department at the beginning of July contained some good news for hard-pressed Japanese fishermen -- an unexpected increase of 105,800 tons in the permissible North Pacific catch. The Japan Fisheries Association (JFA) was cheered by the announcement, particularly since 1984's first two installments had been reduced below the previous year's figures. The increase seems to signal a shift in policy by the Reagan administration.

According to the State Department, Japanese fishermen will be allowed to catch an additional 385,100 tons of all species within the 200-mile U.S. fishing conservation zone (FCZ). July's figure represents about 25 percent of Japan's total annual quota and is the final scheduled increment for the year. This most recent release brings Japan's total allocation up to 1,101,155 tons, including January's 485,600-ton figure (50 percent of the total annual quota) and April's 222,800 tons (the remaining 25 percent). The increase is not

The expansion in Japan's fishing quota may be part of this strategy. A State Department official said that the increase was based on a technical recommendation from the NMFS that there was an excess of fish stocks. The official said that the administration is committed to keeping the whaling and fishing quota issues separate, although he intimated that unless the upcoming U.S.-Japan whaling talks produce results, the United States might reconsider linking the two issues. Officials at JFA credit increased Japanese support of the U.S. fishing industry as the reason for the quota increase. But such considerations have not tended to sway U.S. decisionmakers, despite increased purchases from American fishermen this year. The government's success in keeping the two issues separate will test its commitment to smooth bilateral relations.

Jon Choy

U.S. Corporate R&D Spending Continues to Outstrip Japanese Funding

U.S. government policymakers and business executives worried that American manufacturers are rapidly ceding ground to their Japanese rivals in product and process technologies should be heartened by a pair of recent surveys of corporate research and development spending in the United States and Japan. Business Week's 1983 R&D Scoreboard and a companion FY 1983 review by the Nihon Keizai Shimbun suggest that U.S. producers continue to hold their own in the technology race. The 800 publicly held companies surveyed by Business Week allocated $39.2 billion for R&D in 1983 compared with expenditures of Y2,940 billion ($12.4 billion at FY 1983's average exchange rate of Y236.34=$1.00) in the 1983 accounting period by the 580 publicly traded corporations sampled by the Japanese newspaper.

Corporate funding of R&D in the United States was up by a healthy 9.8 percent last year as big spending gains by computer manufacturers, suppliers of software and computer services, semiconductor makers, electric and electronics companies, chemical producers, pharmaceutical houses and telecommunications equipment firms more than offset recession-trimmed budgets in industries like aerospace, oilfield equipment and services and farm and construction machinery. This expansion was not a one-shot increase. Over the 1979-83 period, industrial R&D spending climbed by roughly three-fifths -- or slightly ahead of inflation -- even though profits took a beating during these five years. The renewed commitment of American companies to the development of new technologies or the application of existing ones was also illustrated by a higher ratio of R&D expenditures to sales. After remaining stuck at the 1.9 percent level in the late 1970s, R&D spending as a percentage of sales hit 2.6 percent in 1983.

While still dwarfed by U.S. expenditures, R&D spending by Japanese industrial corporations also increased by a hefty margin over the five years through March 1984 -- perhaps by a factor of two, including a 13.4 percent rise in FY 1983 by Nihon Keizai's calculations. R&D budgets, in fact, expanded at a faster pace during this period than sales, in part because of rapid advances in technology and escalating research costs. Japanese research directors add, though, that the renewed emphasis on R&D in the United States and the growing reluctance of American corporations to license cutting-edge technologies to

Top Ten Japanese and American Firms in R&D Spending

Japanese Companies	R&D Spending (billions of yen*) FY 1979	FY 1983	Percent of Sales FY 1979	FY 1983
1. Hitachi, Ltd.	Y99 ($431)	Y186 ($787)	5.8%	7.0%
2. Toyota Motor Corp.	104 (453)	175 (740)	3.7	3.6
3. NEC Corp.	43 (187)	160 (677)	6.0	11.0
4. Nissan Motor Co., Ltd.	90 (392)	140 (592)	3.3	4.0
5. Toshiba Corp.	69 (33)	125 (529)	4.8	6.2
6. Matsushita Electric Industrial Co., Ltd.	50 (218)	109 (461)	2.9	4.0
7. Honda Motor Co., Ltd.	38 (165)	100 (423)	3.6	5.4
8. Fujitsu, Ltd.	31 (135)	99 (419)	6.1	10.0
9. Mitsubishi Electric Corp.	43 (187)	82 (347)	4.0	5.2
10. Mitsubishi Heavy Industries, Ltd.	38 (165)	68 (288)	2.8	3.6

American Companies	R&D Spending (in millions of dollars) 1979	1983	Percent of Sales 1979	1983
1. General Motors Corp.	$1,950	$2,602	2.9%	3.5%
2. International Business Machines Corp.	1,360	2,514	5.9	6.3
3. Ford Motor Co.	1,720	1,751	4.0	3.9
4. United Technologies Corp.	545	971	6.0	6.6
5. E.I. duPont de Nemours & Co.	415	966	3.3	2.7
6. General Electric Co.	640	919	2.9	3.4
7. American Telephone & Telegraph Co.**	362	862	0.8	1.2
8. Eastman Kodak Co.	459	746	5.7	7.3
9. Exxon Corp.	381	692	0.5	0.8
10. Xerox Corp.	376	555	5.4	6.6

*The data for Japanese companies were converted to millions of dollars at FY 1979's average exchange rate of Y229.69=$1.00 or at FY 1983's average exchange rate of Y236.34=$1.00.

**Excludes expenditures by Western Electric Co., Inc.

their competitors in Japan have also spurred spending, which expanded as a percentage of sales from roughly 1.8 percent in FY 1979 to 2.3 percent in the fiscal year just ended.

Companies in the electric equipment and electronics field (including makers of computers and other office equipment, semiconductors and telecommunications equipment as well as manufacturers of consumer electronics products, appliances and heavy electric machinery) and in the automotive industry have traditionally financed over half of Japanese corporate R&D outlays. A glance at Nihon Keizai's list of the top ten firms in R&D spending (see accompanying table) highlights the pivotal role of these two groups of companies. While the R&D leaders in the United States span a range of industries, nine of the ten biggest Japanese spenders are either electronics makers or automotive manufacturers.

What is arresting about the comparative R&D table is how fast most of the Japanese leaders have increased spending in relation to sales. NEC Corp. and Fujitsu, Ltd., both manufacturers of telecommunications equipment, computers and semiconductors, are the standouts on this score, but it is also hard to find big American corporations that have matched the jumps chalked up by Hitachi, Ltd. and Toshiba Corp., Japan's two biggest general electric equipment producers. At the same time, though, leading U.S. businesses continue to outspend their Japanese counterparts by a wide margin. General Motors Corp. alone budgeted more money for R&D in 1983 than Japan's eleven automotive manufacturers spent in total. Similarly, the combined R&D outlays of the three top Japanese computer makers -- Fujitsu, NEC and Hitachi -- only equaled three-quarters of the amount International Business Machines Corp. earmarked for research.

Susan MacKnight

Congress Adopts DISC Alternative

As part of the omnibus Deficit Reduction Act of 1984, Congress agreed to adopt the administration-supported Foreign Sales Corporation (FSC) measure to supplant the Domestic International Sales Corporation (DISC). DISCs have been very successful at encouraging exports. According to the Treasury Department, they added between $7 billion and $11 billion to U.S. exports in the July 1980-June 1981 period. Their continued use was blunted, however, by a 1976 decision by the General Agreement on Tariffs and Trade (GATT) that DISCs were an illegal export subsidy, leading the administration to propose the FSC alternative in 1983 (see JEI Report No. 18B, May 4, 1984).

In order to qualify for FSC status, a corporation must:

- Be organized outside the U.S. customs territory.
- Have no more than 25 shareholders at any time during the year.
- Have no preferred stock outstanding at any time during the year.